supportive housing it works

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MSHDA 2007 QUALIFIED ALLOCATION PLAN
CSH Michigan Program Recommendations

Michigan's communities have accomplished that which no other state has. A total of 60 Ten Year Plans to End Homelessness have been developed and adopted, covering every square inch of the State of Michigan. Virtually every plan calls for an increase in the production of Permanent Supportive Housing, the only widely accepted cost-effective remedy for Individual and Family Homelessness.

Additionally, for years MSHDA staff and MSHDA-approved private market analysts have warned of unit saturation, above average vacancy rates, and increasingly soft markets for Affordable Housing units in many communities – especially at the 50% AMI and 60% AMI levels. Noted exceptions are niche markets, almost always including Permanent Supportive Housing.

Taken together, these two factors represent a pressing need, and a timely opportunity, for the increased production of Permanent Supportive Housing utilizing the Low Income Housing Tax Credit Program.

The following recommended changes to Michigan's Qualified Allocation Plan are intended to promote that increased production of Permanent Supportive Housing units. They are the results of ten years of partnership between CSH and MSHDA, DCH and DHS – observing what works and what doesn't. They also reflect dozens of conversations with for-profit and non-profit housing developers, and an analysis of other state's implementation of their respective tax credit programs.

Recommendation 1: Increase the Supportive Housing Set-Aside from 15% to 25% or more of the total allocation of credit.

- State wide 10 Year Plans to End Homelessness reveal a market for the increased number of units. Inclusion of Supportive Housing units presents a market in many geographic areas otherwise overbuilt with Affordable Housing units in the 50% AMI to 60% AMI range.
- Currently only 25% of the units awarded credit via the Set-Aside are required to be Supportive Housing – or as few as 4% of the total allocation of credit. Therefore, up to 75% of the Supportive Housing set-aside credits can go towards the production of 50% or 60% units.

CSH HELPS COMMUNITIES CREATE PERMANENT HOUSING WITH SERVICES TO PREVENT AND END HOMELESSNESS.

Recommendation 2: Award Supportive Housing Set-Aside credits only to Supportive Housing units.

- MSHDA should determine eligibility and award Supportive Housing Set-Aside credits. In a mixed-income project that includes Supportive Housing and other Affordable Housing units, MSHDA should award credits for the non-Supportive Housing units from another eligible category.

Recommendation 3: Increase the minimum percentage of Supportive Housing units to qualify for the Supportive Housing Set-Aside from 25% to 33%.

- This could increase the total number of Supportive Housing units produced, continue to support mixed-income projects including Supportive Housing units, and further encourage only those developers with a strong Supportive Housing plan to apply to the Supportive Housing Set-Aside.

Recommendation 4: Increase the number of points awarded to mixed-income projects including Supportive Housing units that are not applying to the Supportive Housing Set-Aside.

- This will encourage the inclusion of Supportive Housing units in projects applying to other categories, but don't want to meet all of the requirements of the Supportive Housing Set-Aside.

Recommendation 5: Authorize MSHDA's Supportive Housing Division to establish and revise the criteria and process involving the Tax Credit Application Addendum III, including ranking or prioritizing all project applications to the Supportive Housing Set-Aside, and determining which projects receive an award of tax credits.

- Supportive Housing projects could thus be awarded credits based on their own merits, not the sometimes incompatible criteria that ranks projects in other categories. Immediately prior to the current QAP (and lottery) Supportive Housing projects in most geographic areas of the state were unable to score enough points to receive an award of tax credits. The Addendum III review process involves staff from MSHDA, other departments of state government, and experts in the field of Supportive Housing development
- Low income targeting, community integration, treatment and employment are areas that are often hindered by current scoring criteria in the QAP.

Recommendation 6: Continue to exempt Supportive Housing units from 110% of the HUD 221(D)(3) Mortgage Limit or $90,000 per unit. Change the definition from the current "Developments processed under the Corporation for Supportive Housing/MSHDA initiative" to something like "applications receiving approval of an Addendum III".

- Project costs can still be controlled via the underwriting process, but the flexibility this provision allows is needed, and can be justified in some cases.
- Other sources, such as the Federal Home Loan Bank of Indianapolis, cap their assistance to the HUD 221(D)(3) limits unless a state specifically exempts those limits in their QAP. In this case

the QAP not only defines the level of contribution of tax credits to a project, but only sources allocated by other entities.

Recommendation 7: Maintain or increase the Preservation Set-Aside.

- Preservation projects are cost-effective, and are often located at sites not easily replicated by new projects.
- Service providers and Special Needs tenants have often established relationships with existing projects and have incorporated Supportive Housing units. These affordable apartments with support services included should not be lost.
- Many Preservation projects include a percentage of 30% units, which often become Supportive Housing units on a voluntary basis, following discussions between owners and local service providers.

Recommendation 8: Require all tax credit projects to include a percentage of units at or below 30% AMI.

- These need not be designated as Supportive Housing units, although they could serve those Individuals and Families who are homeless due solely to economic reasons, and who require no supportive services.
- Many forms of rental assistance, such as Section 8 Project Based Vouchers, are available to those below the Poverty Level – which can be at or below 25% AMI. This leaves a gap of affordability for those whose incomes are above the Poverty Level but are below the predominant Affordable Housing unit levels of 50% AMI or 60% AMI.
- A portion of the 30% units would likely become Supportive Housing on a voluntary basis following discussions between owners and local service providers.